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United States General Accounting Office
Washington, D.C. 20548

January 5, 2004

The Honorable Orrin G. Hatch
Chairman
The Honorable Patrick J. Leahy
Ranking Minority Member
Committee on the Judiciary
United States Senate

The Honorable F. James Sensenbrenner, Jr.
Chairman
The Honorable John Conyers, Jr.
Ranking Minority Member
Committee on the Judiciary
House of Representatives

Subject: *Immigration Application Fees: Current Fees Are Not Sufficient to Fund U.S. Citizenship and Immigration Services' Operations*

The Homeland Security Act of 2002 (HSA)[1] established the Bureau of Citizenship and Immigration Services (CIS)[2] within the Department of Homeland Security (DHS). CIS is responsible for several functions transferred from the former Immigration Services Division of the Immigration and Naturalization Service (INS) under the Department of Justice. CIS's functions include adjudicating and processing applications for U.S. citizenship and naturalization, administering work authorizations and other petitions, and providing services for new residents and citizens. CIS collects fees from applicants to process the various immigration-related applications and petitions. CIS also receives appropriated funds to pay for administrative and overhead costs such as records management and backlog reduction.[3] HSA requires that we report on whether CIS is likely to derive sufficient funds from fees to carry out its functions in the absence of appropriated funds.[4]

[1]Pub. L. No. 107-296, § 451, 116 Stat. 2195.

[2]The bureau is now referred to as the United States Citizenship and Immigration Services (CIS).

[3]A backlog exists when the processing time for a newly filed application exceeds the processing target time, which is 6 months or less for every application.

[4]Pub. L. No. 107-296, § 477(d)(3), 116 Stat. 2210.

This report summarizes the information provided during our November 24, 2003, briefing to your staff on this topic. The enclosed briefing slides highlight the results of our work and the information provided. Specifically, we determined application fees collected and projected for funding CIS operations for fiscal years 2001 through 2003 and compared those totals with identifiable operating costs for those 3 fiscal years as a basis for determining whether fees collected would likely be sufficient to fund CIS's operating costs.

Results in Brief

We determined that fees were not sufficient to fully fund CIS's operations. In part, this has resulted because (1) the current fee schedule is based on an outdated fee study that did not include all costs of CIS's operations and (2) costs have increased since that study was completed due to an additional processing requirement and other actions.

While it is clear fees are insufficient to fully fund CIS's operations, there is insufficient cost data to determine the full extent of the shortfall. A fundamental problem is that CIS does not have a system to track the status of each application as it moves through the process.[5] Accordingly, CIS does not have information on the extent to which work on applications in process remains to be finished. In addition, CIS does not know the current cost of each step to process each application. The effect is that CIS knows neither the cost to process new applications nor the cost to complete pending applications. Further, because DHS is still determining how administrative and overhead functions will be carried out and the related costs allocated, CIS does not know what future administrative and overhead costs will be.

For the 3-year period from fiscal year 2001 through 2003, CIS's reported operating costs exceeded available fees by almost $460 million, thus creating the need for appropriated funds. CIS projects that this situation will remain in fiscal year 2004. Since the beginning of fiscal year 2001, the number of pending applications increased by more than 2.3 million (about 59 percent) to about 6.2 million at the end of fiscal year 2003. This increase occurred despite additional appropriations beginning in fiscal year 2002 of $80 million annually to address the backlog. In addition, CIS has not performed an analysis of the steps needed to reduce processing times to

[5]According to CIS officials, the deployment of a new system that will track the status of each application is expected in 2006.

the 6-month average goal established in the President's backlog initiative. These times increased significantly in fiscal year 2003 to levels well above the 6-month target established in CIS's March 2002 Backlog Elimination Plan.

Absent actions to increase fees, reduce processing costs and times, or both, as well as to improve the timeliness and completeness of fee schedule updates, CIS will continue to need appropriated funds to avoid even greater increases in the backlog of pending applications. The full costs of CIS's operations cannot be determined until analyses of the costs to process incoming and pending applications and administrative and overhead costs are completed.

Recommendations for Executive Action

In order to achieve the goals of the President's backlog initiative, we recommend that the Secretary of Homeland Security direct the Director of CIS to perform an analysis of current processing functions to determine steps needed to reduce the processing time to an average of 6 months or less.

In order to determine the cost to process new and pending applications, we recommend that the Secretary of Homeland Security direct the Director of CIS to

- perform a comprehensive fee study to determine the costs to process new immigration applications and
- determine the costs to eliminate the backlog of pending applications.

In order for CIS to know the full cost of its operations, we recommend that the Secretary of Homeland Security direct the Deputy Secretary to identify which support services and functions, such as shared services, modernizing and supporting shared databases, shared infrastructure, and other forms of support, and the cost of those functions should be transferred or allocated to CIS.

Regarding the timing of fee schedule updates, we recommend that the Secretary of Homeland Security direct the Director of CIS to identify options to improve the timeliness for implementing fee updates to help ensure that all costs are captured.

Agency Comments and Our Evaluation

We obtained oral comments on a draft of our briefing slides from DHS and CIS officials. They generally agreed with our conclusions and recommendations. However, they stated that our recommendations did not address the fact that fee schedules do not go into effect promptly, thus delaying implementation of fee levels that would help ensure that the full costs of adjudications are covered. The timing of fee schedule updates is a key issue, and we have added a recommendation to address this issue. DHS and CIS officials also provided technical comments, which we incorporated as appropriate.

Scope and Methodology

We analyzed actual and estimated/projected application fees and appropriations that fund CIS operations and the related costs for fiscal years 2001 through 2003. To determine if fees collected were sufficient to fund CIS's operations, we (1) interviewed CIS staff and officials and external auditors, (2) reviewed biennial fee review reports, (3) reviewed audit reports, (4) reviewed financial records and budget-related documents, (5) analyzed various other documents provided by CIS containing information on numbers of applications and application fees, and (6) analyzed data on fee collections and appropriated funds and compared these to our analysis of the related costs.

We assessed the reliability and completeness of the CIS-provided data for fiscal years 2001 and 2002 by reconciling the funds received and costs incurred to the audited financial statements. For fiscal year 2003 data, the audit was not yet complete. We did not otherwise verify the data. We did not assess the effectiveness of CIS's application processing functions or verify the accuracy of application totals.

We requested comments on a draft of the enclosed briefing slides from DHS and CIS officials. We received oral comments from DHS and CIS that were incorporated into the briefing slides and this report as appropriate. We conducted our work from March through November 2003 in accordance with generally accepted government auditing standards.

We are sending copies of this report to congressional committees and subcommittees responsible for issues related to immigration services and the Department of Homeland Security, the Secretary of Homeland Security, the Deputy Secretary of the Department of Homeland Security, and the Director of CIS. This report is also available at no charge on GAO's home

page at http://www.gao.gov. If you have any questions about this report, please contact me at (202) 512-9508 or Steven Haughton, Assistant Director, at (202) 512-5999. You may also reach us by e-mail at calboml@gao.gov or haughtons@gao.gov. Additional contributors to this assignment were Diane N. Morris and Estelle M. Tsay.

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Enclosure

Enclosure

IMMIGRATION APPLICATION FEES

Current Fees Are Not Sufficient to Fund U.S. Citizenship and Immigration Services' Operations

Briefing to Staff of the Senate and House Committees on the Judiciary

November 24, 2003

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Introduction and Objectives

- The Homeland Security Act of 2002 (HSA)[1] established the Bureau of Citizenship and Immigration Services (BCIS) within the Department of Homeland Security (DHS) to carry out several functions transferred to BCIS from the former Immigration Services Division of the Immigration and Naturalization Service (INS) under the Department of Justice (DOJ). The transfer became effective March 1, 2003.

- BCIS is now referred to as the United States Citizenship and Immigration Services (CIS).

  (Note: Throughout these slides, we use "CIS" to refer to both the new U.S. CIS and the former Immigration Services Division of INS.)

[1]Pub. L. No. 107-296, § 451, 116 Stat. 2195.

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Introduction and Objectives (cont.)

- CIS's functions include adjudicating and processing applications for U.S. citizenship and naturalization, administering work authorizations and other petitions, and providing services for new residents and citizens.
- CIS collects fees from applicants to process the various immigration-related applications and petitions.
- CIS also receives appropriated funds that are used for administrative and overhead costs (including records management) and backlog reduction.[2]

[2]A backlog exists when the processing time for a newly filed application exceeds the processing target time, which is 6 months or less for every application.

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Introduction and Objectives (cont.)

- HSA requires that we report on whether CIS is likely to derive sufficient funds from fees to carry out its functions in the absence of appropriated funds.[3]
- Consequently, the objective of our review was to determine whether fees collected are sufficient to fund CIS's operating costs.
- To do this, we
  - determined amounts of application fees projected and collected for funding CIS operations for fiscal years 2001 through 2003, and
  - identified CIS's operating costs for fiscal years 2001 through 2003.

[3]Pub. L. No. 107-296, § 477(d)(3), 116 Stat. 2210.

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Results in Brief

- Although all costs of CIS's operations were not identifiable, on the basis of our review of the current fees, we determined that fees were not sufficient to fully fund CIS's operations. In part, this has resulted because
  - the current fee schedule is based on an outdated fee study that did not include all costs of CIS's operations and
  - costs have increased due to an additional processing requirement and other actions that are not covered by the current fees.

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Results in Brief (cont.)

- Costs are not identifiable in part because
  - CIS cannot accurately track the status of each application as it moves through the process,[4] and
  - remaining steps needed to complete the processing of pending applications and the related costs are not known.
- As shown in table 1, for the 3-year period from fiscal year 2001 to 2003, CIS's operating costs exceeded available fees, thus creating the need for appropriated funds. CIS projects that this situation will remain in fiscal year 2004.

[4]According to CIS officials, a new system that will track application status is expected to be deployed in 2006.

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Results in Brief (cont.)

Table 1: Funds and Reported Costs for Fiscal Years 2001-2003		
(Dollars in thousands)	3-year totals	
Carryforward fees[a] available - beginning FY 2001		$ 107,673
Fees collected		3,432,871
Fees available for CIS operations		3,540,544
Processing costs	$ 3,557,702	
Administrative and overhead costs	440,900	
Total operating costs		3,998,602
Costs not covered by fees		(458,058)
S&E appropriation - backlog	$ 160,000	
S&E appropriation - admin & overhead	440,900	
Total S&E appropriation		600,900
Carryforward fees available - end FY 2003		$ 142,842

Source: GAO analysis of CIS data.

[a]Carryforward fees represent fees collected but not used in the current year. These unused fees are carried forward to the next year to continue processing incomplete applications.

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Results in Brief (cont.)

- During the same period, the number of pending applications increased by more than 2.3 million (about 59 percent) since the beginning of fiscal year 2001 to a total of about 6.2 million at the end of fiscal year 2003 despite additional annual appropriations beginning in fiscal year 2002 of $80 million to address the backlog.

- In addition, CIS has not performed an analysis of the steps needed to reduce processing times down to the 6-month average goal established in the President's backlog initiative. These times have increased significantly in fiscal year 2003.

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Results in Brief (cont.)

- Because DHS is still in the process of determining how administrative and overhead functions will be carried out and the related costs allocated, CIS does not know what future administrative and overhead costs will be.
- We are making recommendations for CIS to determine (1) the steps needed and related costs to process current and pending applications, (2) the administrative and overhead functions and related costs that need to be funded, and (3) a plan to improve timeliness of fee schedule updates.
- DHS officials generally agreed with our conclusions and recommendations, but stated that our recommendations did not address the fact that because fee schedules are not updated promptly, full costs are not captured. We added a recommendation to address this issue.

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Background

- In October 1988, Congress authorized INS to collect fees to recover the cost of providing immigration adjudication and naturalization services and authorized and established in the Treasury the Immigration Examinations Fee Account (IEFA).[5]

- CIS collects such fees from applicants for over 50 different application types and deposits the fees into the IEFA. The fees range from $15 to $580.

- Unused fees are carried forward to the next year and are available to continue processing incomplete applications.

[5]Pub. L. No. 100-459, § 209(a), 102 Stat. 2203.

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Background (cont.)

- CIS also collected and deposited fees into the H-1B Non-Immigrant Petitioner Fee Account (H-1B account).
- The H-1B account was established in October 1998[6] to fund a number of activities administered by the Department of Labor, National Science Foundation, and DOJ.
- Employers were also required to pay a fee of $500 for each H-1B worker sponsored,[7] and the fee was applied to filings made before October 1, 2001.

[6]Pub. L. No. 105-277, Div. C, Tit. IV, § 414(b), 112 Stat. 2681-652.

[7]Pub. L. No. 105-277, Div. C, Tit. IV, § 414(a), 112 Stat. 2681-651. CIS received 1.5 percent of the $500 which was in addition to the base filing fee of $130 that was deposited to the IEFA.

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Background (cont.)

- In October 2000, the additional fee was increased to $1,000 and extended for filings made before October 1, 2003.[8]

- Therefore, the additional fee was no longer collected. Any unused additional H-1B fees will also be carried forward and used to process backlogged applications.

- In 1990,[9] INS was authorized to set fees at a level to fund the cost of asylum processing and other services provided to immigrants at no charge. As a result, INS added a surcharge to the immigration application fees to recover these additional costs.

[8]Pub. L. No. 106-311, § 1, 114 Stat. 1247. CIS received 4 percent of the $1,000 fee.

[9]Pub. L. No. 101-515, § 210(d), 104 Stat. 2121.

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Background (cont.)

- In November 2002, HSA repealed the authority to include the cost of asylum processing and other services provided to immigrants at no charge, referred to as the surcharge.[10]
- As a result, in January 2003, the fees were adjusted by discontinuing the surcharge for asylum and refugee services.
- In February 2003,[11] CIS was reauthorized to collect such fees and the surcharge was reinstated.
- According to a CIS official, prior to the establishment of DHS, INS received an appropriation in each fiscal year that it used for administrative and overhead costs.

[10]Pub. L. No. 107-296, § 457, 116 Stat. 2201.
[11]Pub. L. No. 108-7, § 107, Div. L. § 107, 117 Stat. 532.

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Background (cont.)

- A portion of the fiscal year 2003 appropriation was allocated by INS to its former Immigration Services Division (now CIS). For fiscal year 2004, CIS received a separate appropriation.

- INS/CIS used $80 million in appropriated funds annually in fiscal years 2002 and 2003 for the President's backlog initiative, a 5-year effort with a goal to achieve a 6-month average processing time per application. CIS will continue to use $80 million of its appropriations through fiscal year 2006 for the President's backlog initiative.

- The President's backlog initiative calls for using $500 million over 5 years. Each $100 million installment is comprised of $80 million in appropriated funds and $20 million in fee collections.

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Background (cont.)

- In response to the President's initiative, CIS established a Backlog Elimination Plan that was issued in March 2002. The plan is currently being revised.
- The Chief Financial Officers Act of 1990 requires that DOJ perform biennial fee reviews. As a result, INS conducted reviews of its examination fees to determine the full cost of providing immigration adjudication and naturalization services.
- INS's last biennial fee review was completed in fiscal year 1999. Because of the lengthy process to publish a notice of proposed fee increases, receive and review comments, and publish a final rule, the fees did not go into effect until February 2002, as shown in figure 1.

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Background (cont.)

- CIS attempted to increase application fees in fiscal year 2003 to cover certain additional costs related to expanded security checks.

- The request was submitted to DOJ management in November 2002. According to a CIS official, the request was not acted upon because of the upcoming transition of CIS from DOJ to DHS and was returned to CIS in March 2003.

- CIS officials told us they recently revised this fee increase proposal, which was approved by DHS and submitted to the Office of Management and Budget (OMB) in October 2003.

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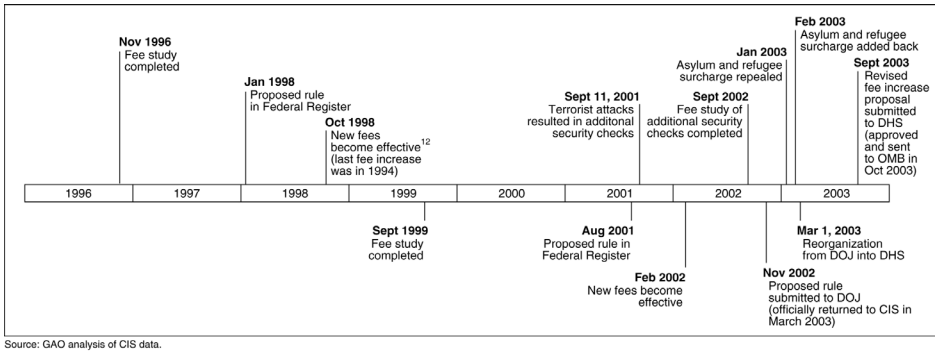
Background (cont.)

•Figure 1 shows the timing of the events that have affected fees.

Figure 1: Fee History Timeline



Source: GAO analysis of CIS data.

[12]Except for the fee for the Application for Naturalization, which became effective in January 1999.

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Sufficiency of Fees

- Although all costs of CIS's operations were not identifiable, on the basis of our review of the current fees, we determined that fees were not sufficient to fully fund CIS's operations. In part, this has resulted because
  - the current fee schedule is based on an outdated fee study that did not include all costs of CIS's operations and
  - costs have increased due to an additional processing requirement and other actions that are not covered by the current fees.
- Costs are not identifiable in part because of CIS's inability to accurately track applications and the remaining steps needed to complete processing the backlog of pending applications. The related costs are not known.

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Sufficiency of Fees (cont.)

- These issues are discussed in more detail later in these slides.
- Although reported processing costs exceeded available fees for the 3-year period ending in fiscal year 2003, CIS had sufficient funds to cover these costs because it
  - received $80 million each year in appropriated funds to assist with the backlog (see table 2) and
  - reduced planned spending in fiscal year 2003.

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Sufficiency of Fees (cont.)

- For the 3-year period, CIS received more than $4 billion to complete the processing of 20.1 million applications, but the number of pending applications still increased by 2.3 million. However, the remaining costs necessary to complete the backlog of pending applications is not known and therefore has not been included in the reported costs.

- In addition, as shown in table 2, CIS was provided $441 million in appropriated funds during fiscal years 2001 through 2003 that it used to cover administrative and overhead costs.

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Sufficiency of Fees (cont.)

Table 2: Schedule of Available Funds and Reported Costs

(Dollars in thousands)	FY 2001	FY 2002	FY 2003	3-year totals
Carryforward fees-beginning	$ 107,673	$ 188,374	$ 128,926	$ 107,673
Fees collected	1,083,718	1,177,634	1,171,519	3,432,871
Fees available	$ 1,191,391	$ 1,366,008	$ 1,300,445	$ 3,540,544
Processing costs	(1,003,017)	(1,317,082)	(1,237,603)	(3,557,702)
Administrative & overhead costs	(160,403)	(136,756)	(143,741)	(440,900)
Total operating costs	$ (1,163,420)	$ (1,453,838)	$ (1,381,344)	$ (3,998,602)
Excess fees (costs not covered by fees)	$ 27,971	$ (87,830)	$ (80,899)	$ (458,058)
S&E appropriation - backlog	-	80,000	80,000	160,000
S&E appropriation - admin & overhead	160,403	136,756	143,741	440,900
Total S&E appropriations	$ 160,403	$ 216,756	$ 223,741	$ 600,900
Carryforward fees-end	$ 188,374	$ 128,926	$ 142,842	$ 142,842

Source: GAO analysis of CIS data.

Note: CIS officials told us appropriated funds are assumed to be fully obligated in the year received. Therefore, the carryforward amount consists of unused fee collections only. For purposes of demonstrating whether fees would be sufficient to cover both processing and total operating costs, we presented the information in the above format before including appropriated funds.

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Sufficiency of Fees (cont.)

- Carryforward fees to process pending applications increased by only $35 million (33 percent) to a total of almost $143 million at the same time the number of pending applications increased by more than 2.3 million (59 percent) to a total of 6.2 million.

- CIS does not know the remaining costs to complete the processing of pending applications because

  - it does not know the current full cost to process a new application received or to complete the processing of a pending application, and

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Sufficiency of Fees (cont.)

- it does not have a real-time system to accurately track individual applications as they move through each stage of the process.[13]

- CIS officials told us they (1) plan to start a new fee study next year and (2) are working on a system to track where an individual application stands in the approval process.

- CIS officials told us that in August 2003, DHS approved CIS's proposal for a system to track application status, which is expected to be deployed in 2006.

[13]INS's financial statement auditors reported this issue as a material weakness in its *Reports on Internal Control* for fiscal years 2000 through 2002.

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Sufficiency of Fees (cont.)

Fees Are Outdated

- The current fee schedule became effective in February 2002 and is based on the fee review completed in fiscal year 1997.

- The February 2002 fee increase adjusted the existing fees by
  - increasing the fees for inflation (based on OMB inflationary factors) and
  - adding a $5 charge to each application fee for information technology and quality assurance costs.

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Sufficiency of Fees (cont.)

- However, at a minimum, the fee increase did not include the following items, which were identified in the fee review completed in fiscal year 1999. CIS estimated the cost of these items to be about $101 million.
  - New Integrated Card Production System
  - New National Customer Service Center
  - National Records Center
  - Hiring of term/temporary employees
  - Hiring of additional adjudication officers
  - Expansion of Service Center operations

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Sufficiency of Fees (cont.)

- According to CIS officials, the above items were not included in the approved fee increase that became effective in fiscal year 2002 because it was determined that the resulting fee increases would have been excessive. For example, the Application for Naturalization fee would have increased by more than 50 percent from $225 to $345.

- As a result, the February 2002 fee increase did not fully cover processing costs at that time.

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Sufficiency of Fees (cont.)

New Requirements and Other Actions Increased Costs

- CIS officials told us costs were affected as a result of new departmental requirements to address problems arising from the September 11, 2001 terrorist attacks. The main requirement expanded Interagency Border Inspection System (IBIS) security checks, which are now mandatory for all new and pending applications.

- CIS officials told us costs were also affected as a result of other actions including:
  - repeal of surcharge for asylum and refugee services ($25 million in fiscal year 2003),

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Sufficiency of Fees (cont.)

- settlement of class action lawsuit relating to the Legalization Program of 1986 ($5.3 million in fiscal year 2003),
- settlement of class action lawsuit relating to a union grievance concerning payment of overtime to adjudication officers ($2.2 million in fiscal year 2003),
- A-76 outsourcing study to determine which government services to contract out ($5 million budgeted for fiscal year 2004, $1 million for fiscal year 2005), and
- establishment of a new Office of Citizenship ($4.5 million budgeted for fiscal year 2004).

- CIS had estimated that the cost of 555 additional staff to perform the expanded IBIS checks for fiscal years 2003 and 2004 would total about $69 million.

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Sufficiency of Fees (cont.)

- CIS unsuccessfully attempted to increase application fees by $10 to cover the costs of these IBIS checks. CIS submitted a proposal to increase fees to DOJ management in November 2002. According to CIS officials, the request was not acted upon before the upcoming transition of CIS from DOJ to DHS. DOJ returned the request to CIS in March 2003.

- According to CIS officials, CIS revised this proposal to better capture efficiencies in the IBIS check process, actual costs incurred to date, and projected future costs. The revised proposal was approved by DHS and submitted to OMB in October 2003.

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Sufficiency of Fees (cont.)

Pending Applications Continue to Grow

- The number of pending applications at year end increased about 59 percent from about 3.9 million in fiscal year 2000 to about 6.2 million in fiscal year 2003.

- During the same 3-year period, application processing times increased significantly (see table 3). As a result, the number of applications completed decreased from more than 7 million for both fiscal years 2001 and 2002 to 6.2 million for fiscal year 2003.

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Sufficiency of Fees (cont.)

- The increases in pending applications occurred despite the backlog initiative efforts and the additional appropriated funds provided to carry out the efforts. As shown in table 2, about $143 million in carryforward fees remained to process applications as of September 30, 2003.

- The goal of the backlog initiative is to reduce processing time to an average of 6 months or less per application and eliminate the backlog.

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Sufficiency of Fees (cont.)

- In its March 2002 Backlog Elimination Plan, CIS estimated that it would need to hire over 1,500 additional staff to meet the backlog reduction milestones and achieve the processing time goals by the end of fiscal year 2003. According to CIS officials, the success of this plan was contingent upon, among other things, implementation of a new fee schedule that would fully recoup their processing costs, which did not occur.

- In addition, CIS's plan did not include the staff needed to perform the expanded IBIS security checks.

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Sufficiency of Fees (cont.)

- Further, CIS has not established the time it should take to perform each step to complete the processing of applications, nor has it identified the remaining steps needed to complete processing the pending applications and the related costs.

- Table 3 shows the average reported processing times for application types with the most volume and compares with the average goals set out in CIS's March 2002 plan. The plan included goals to be achieved by the end of fiscal years 2002 and 2003.

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Sufficiency of Fees (cont.)

Table 3: Average Reported Processing Time (Months)

Application number	FY 2002	FY 2003	Projected (as of 10/30/03)		
	Expected goals in backlog plan		FY 2001	FY 2002	FY 2003
I-485	10	6	14	13	33
I-130	10	6	31	25	51
I-140	4	3	7	5	10
I-129	2	1	2	2	3
I-539	5	1	9	4	7
I-90	3	1	4	9	19
I-131	2	1	3	3	7
I-765	2	1	2	3	3
I-751	9	6	17	9	45
I-821	7	6	63	20	10
N-400	8	6	9	10	14
N-600	9	6	10	6	8
N-643	9	6	5	10	5

Source: CIS.

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Sufficiency of Fees (cont.)

- As shown in table 3, average application processing times have significantly increased in fiscal year 2003, and are significantly higher than the goals set out in the March 2002 plan.

- CIS told us it is revising its March 2002 Backlog Elimination Plan to include resources needed to eliminate the backlog and achieve an average processing time of 6 months per application. HSA requires this revised plan to be completed by November 26, 2003.

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Sufficiency of Fees (cont.)

Future Administrative and Overhead Costs Are Uncertain

- Because DHS is still in the process of determining how the administrative and overhead functions will be carried out and the related costs allocated, CIS does not know what its future administrative and overhead costs will be.

- CIS officials told us that since CIS was established as a separate bureau in March 2003, DHS has been in the process of determining which support services and functions, such as shared services, modernizing and supporting shared databases, shared infrastructure, and other forms of support, should be transferred or allocated to CIS.

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Sufficiency of Fees (cont.)

- Until this process is completed, CIS cannot determine the costs of the administrative and overhead functions that will need to be funded.

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Conclusions

- Absent actions to increase fees and/or reduce processing costs and times, as well as to improve the timeliness and completeness of fee schedule updates, CIS will continue to need appropriated funds to avoid even greater increases in the backlog of pending applications.

- However, the full costs of CIS's operations that need to be funded cannot be determined until analyses of the costs to process incoming and pending applications and administrative and overhead costs are completed.

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Recommendations

- In order to achieve the goals of the President's backlog initiative, we recommend that the Secretary of Homeland Security direct the Director of CIS to perform an analysis of current processing functions to determine steps needed to reduce the processing time to an average of 6 months or less.

- In order to determine the cost to process new and pending applications, we recommend that the Secretary of Homeland Security direct the Director of CIS to
  - perform a comprehensive fee study to determine the costs to process new immigration applications and
  - determine the costs to eliminate the backlog of pending applications.

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Recommendations (cont.)

- In order for CIS to know the full cost of its operations, we recommend that the Secretary of Homeland Security direct the Deputy Secretary to identify which support services and functions, such as shared services, modernizing and supporting shared databases, shared infrastructure, and other forms of support, and the cost of those functions should be transferred or allocated to CIS.

- Regarding the timing of fee schedule updates, we recommend that the Secretary of Homeland Security direct the Director of CIS to identify options to improve the timeliness for implementing fee updates to help ensure that all costs are captured.

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Agency Comments and Our Evaluation

- DHS and CIS officials provided oral comments on a draft of this report. They generally agreed with our conclusions and recommendations.
- However, they stated that our recommendations do not address the fact that fee schedules are not updated promptly to capture the full costs of adjudications.
- The timing of fee schedule updates is a key issue, and we have added a recommendation to address this issue.
- DHS and CIS officials also provided technical comments, which we incorporated as appropriate.

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Scope and Methodology

Scope

- We analyzed actual and estimated/projected application fees and appropriations that fund CIS operations and the related costs for fiscal years 2001 through 2003.

Methodology

- To determine if fees collected are sufficient to fund CIS's operations, we
  - interviewed CIS staff and officials and external auditors,
  - reviewed biennial fee review reports,
  - reviewed audit reports,
  - reviewed financial records, including trial balances,

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Scope and Methodology (cont.)

- reviewed CIS budget-related documents, including the Reports on Budget Execution (SF-133),
- analyzed various other documents provided by CIS containing information on numbers of applications and application fees, and
- analyzed data on fee collections and appropriated funds, and compared these to our analysis of the related costs.

- We assessed the reliability and completeness of the CIS-provided financial data for fiscal years 2001 and 2002 by reconciling the funds received and costs incurred to the audited financial statements for which clean opinions were issued for fiscal years 2001 and 2002.

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Scope and Methodology (cont.)

- For fiscal year 2003 data, the audit was not yet complete. We did not otherwise verify the data.
- We reviewed the methodology, but did not verify CIS's estimate of the costs of expanded IBIS security checks.
- We did not assess the effectiveness of CIS's application processing functions nor verify the accuracy of application totals.

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Scope and Methodology (cont.)

- We requested comments on a draft of these briefing slides from DHS and CIS officials. We received oral comments from DHS and CIS that were incorporated into these briefing slides as appropriate.

- We conducted our work from March through November 2003 in accordance with generally accepted government auditing standards.

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